2 Are quasi-governmental organisations effective and accountable?

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Introduction

Since the 1980s successive governments in the UK have entrusted the delivery of services and programmes to a range of organisations of different types, created from a variety of motivations for myriad functions and purposes, and referred to by a bewildering array of terms. Hood and Schuppert (1988a: 1) have used the term 'para-government organisation' to refer to 'all types of organisations other than core government bureaucracies which are used to provide public services'. The 'modernisation agenda' of the 'New Labour' government has arguably accentuated the trend towards the use of quasi-governmental organisations (quangos). The rhetoric has referred to a determination to keep the number of non-departmental public bodies (NDPBs) to a minimum, creating them only where appropriate and cost-effective. While it has been claimed that the number of NDPBs has been reduced by 10 per cent since 1997 (Cabinet Office, 2000a: iv), in reality, powerful new quangos have also been created. These include the Food Standards Agency, the National Institute for Clinical Excellence, and even quangos that supervise recruitment to other quangos such as the NHS Appointments Commission and the Commissioner for Public Appointments. New forms of partnership have also been established, such as Health and Education Action Zones, Employment Zones, Community Safety Partnerships, and those resulting from the New Deal for Communities, Single Regeneration Budget, and Sure Start initiatives (Benington, 2000; Skelcher, 2000).

Generalisations about quangos need to be made with care. Significant differences are found between sectors and also between bodies in the same sector, for example in their organisational histories and cultures, size and expenditure, and their ability to define their own objectives and outcomes. Two key dimensions of diversity are territorial coverage and relative autonomy from central government (see Figure 2.1). Quangos can be classified according to their 'closeness' to core government. Greve *et al.* (1999) develop a continuum stretching between departmental units, that are clearly aspects of government, and private sector companies. Between

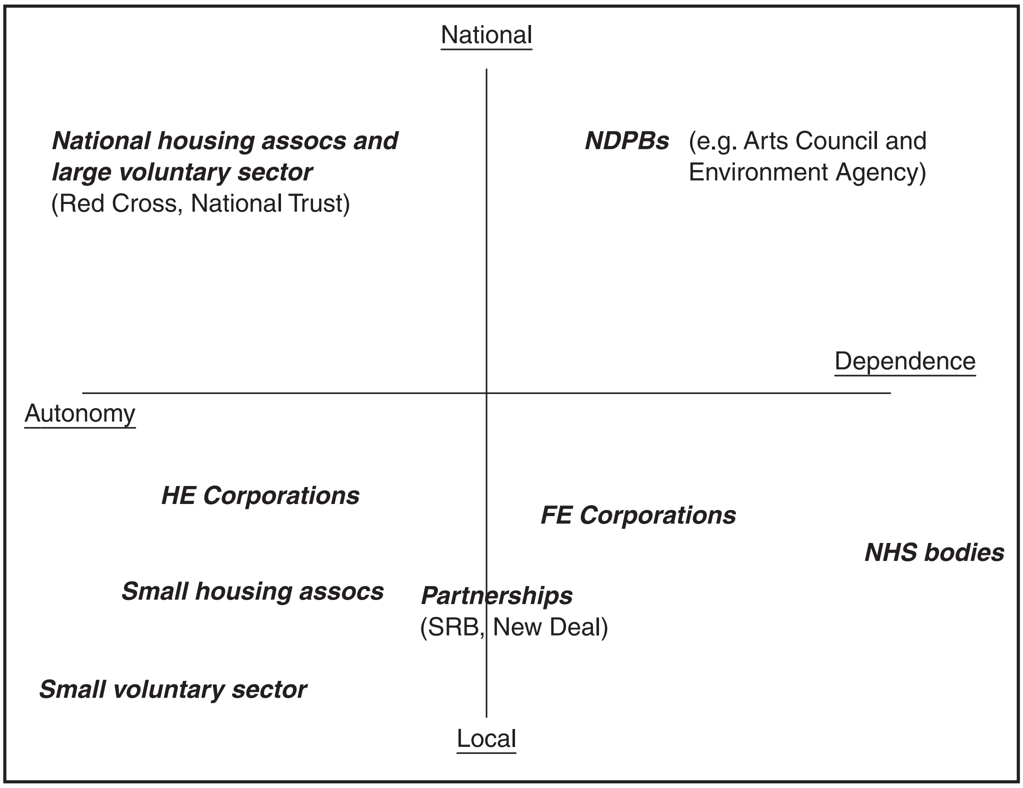


Figure 2.1 Dimensions of quasi-governmental organisations

these end points there is a range of bodies which vary in their 'quangoness' from quasi-autonomous agencies of government, through NHS bodies and NDPBs to voluntary/charity bodies and semi-privatised organisations. However, the key dimension accounting for the actual diversity of these bodies is their 'practical' rather than formal/legal autonomy and we need to examine the context and history of each organisation to judge whether they enjoy autonomy or not. Essentially this means that we adopt a historical–institutional approach to the study of quangos (ibid.: 140). Thus factors such as the degree of dependence on government funding and the regulatory environment of the organisation are as important as constitutional status in determining the practical autonomy of quangos.

Organisations can also be classified according to whether their remit is local, regional or national. This covers national NDPBs such as the Arts Council and the Environment Agency (though they may also have a quasi-federal and regional structure) and 'local public spending bodies' (LSPBs). A widely accepted definition of these latter organisations refers to 'any local bodies operating under wholly or largely appointed or self-appointing boards that received public money to perform public functions or deliver public services' (Skelcher *et al.*, 2000: 10), for example, Further Education Corporations and Housing Associations. Such a broad

and inclusive definition would also include virtually the whole of the UK voluntary sector, although here we are concerned only with large national voluntary organisations that spend public money to perform public functions.

For Skelcher, the use of quasi-governmental bodies was central to the managerialist inspired 'hollowing-out' of the state in the 1980s and 1990s. This was achieved through processes such as privatisation and by 'transferring responsibility for the management and delivery of public programmes from *primary* and *multi-purpose* governmental bodies to *secondary* and *single-purpose* agencies' (2000: 7, italics in the original). At the same time, however, greater central control has been exercised over policy formulation and implementation. More recently Skelcher argues that the hollowed-out state has given way to a 'congested state' that is characterised by organisational fragmentation, plural modes of governance, and a plethora of mediating 'partnerships', defined as 'organisational arrangements bringing together two or more agencies in pursuit of a public policy objective' (Skelcher, 2000: 9 and 12). These can operate at a tertiary level and 'manage, integrate and steer the activities of primary and secondary bodies – local authorities, health bodies, executive agencies and so on. More significantly, they may also engage in the development of policy and delivery of programmes on behalf of partners' (ibid.: 12–13).

That governments continue to see advantages in using quasi-governmental organisations raises two linked issues that provide the focus for this chapter. First, their use is often justified in terms of the need for effectiveness, summed up in the managerialist tenet that 'any public task will be performed more cheaply and effectively by bodies set at a distance from core government and following a business management model' (Hood and Schuppert, 1988: 12). However, there is scant evidence to support this contention and political considerations may still be important, for example, a desire to exercise control or, alternatively, an attempt to put central government at arm's length from political criticism (for a discussion of why quangos are used, see Cabinet Office, 1997: Chapter 2; Flinders and Smith, 1999; Greve *et al.*, 1999). Second, the use of quasi-governmental organisations has typically been an alternative to the use of core bureaucracies and democratically-based institutions such as local councils. As a consequence, there is a perceived need to ensure that they are in some sense held 'accountable', not least because they disburse, or control access to, significant amounts of public goods.

Drawing on these two considerations, this chapter argues that despite its variety, the quasi-governmental world is structured by a central tension between the need for boards to be democratic and accountable yet also provide effective governance and service delivery. The 'New Labour' government has promoted wider participation in board membership while at the same time pursuing the modernisation of service delivery through increased centralisation and uniformity. In working out tensions

between performance and conformance (see Chapter 1), boards are driven by the need to ensure that they possess 'legitimacy for action', that is their right to operate and exercise power. Effectiveness requires a measure of flexibility and strategic/policy autonomy but this often conflicts with accountability requirements. Moreover, increasing central direction is justified in terms of policy delivery but threatens to erode the flexibility necessary for effectiveness. What organisations, and their boards, are both engaged in is a *legitimation process* that grounds their right to exercise power in a combination of some sort of public accountability and the efficient and effective delivery of their purposes. To this end, more sophisticated arrangements for accountability can be developed to incorporate the interests of stakeholders yet allow organisations maximum operational autonomy.

The empirical material on which this discussion is based was obtained primarily from two studies conducted by the authors into the internal governance of a variety of quasi-governmental bodies (focusing, for example, on organisational structures, the roles of boards, and the relationships between board members and senior executives). These were undertaken for the Joseph Rowntree Foundation in 1996, looking at housing associations, further education corporations, and training and enterprise councils, and for the Royal Society of the Arts in 2000, on national NDPBs, health boards, and large national voluntary organisations (see Greer and Hoggett, 1997a and b; 1999; 2000). This material is supplemented by drawing selectively upon the now extensive research on the governance of quangos (see, for example, Levacic, 1995; Committee on Standards in Public Life, 1996; Ferlie *et al.*, 1996; Clarke and Newman, 1997; Painter and Isaac-Henry, 1997; Rouse, 1997; Skelcher, 1998).

Fitness for purpose(s)

What are quasi-governmental organisations for?

Quangos can fulfil a variety of purposes – strategic, delivery, regulatory, representational, commissioning and advisory. A single institution such as the Environment Agency may be multi-functional, combining several different purposes. Many large national voluntary organisations are also highly complex and are involved in the provision of services and products as well as campaigning. Purposes can change over time. A member of the Environment Agency noted that its organisational purpose changed as it matured, moving towards acting as a champion of the environment rather than merely as a regulator. The chief executive of a voluntary organisation pointed out that it had begun as an 'enthusiastic child' and then had to be helped through its 'difficult teen years' in terms of being guided back to its core purposes and not trying to do more than it was equipped to do.

The purposes of organisations may be set out in a range of sources such

as legislation, mission statements, constitutions and authoritative reports but may also have 'emergent' aspects. For example, the functions of the Radio Authority (an NDPB) are set out in the Broadcasting Acts of 1990 and 1996 providing, according to the Chair of the Authority, 'a clear and coherent framework for the activities of the organisation'. Whereas Health Trusts are primarily concerned with health care delivery, the purpose of Health Authorities has been defined as the provision of 'strategic leadership for health care' although with the advent of Primary Care Trusts they will concentrate on leadership, support and performance management (OCPA, 2000). However, it is arguably less clear what the purposes of the governing boards are, and whether the individual members on these are 'fit' for those purposes. There may also be a gap between the formal purpose of the board/board member and what actually happens in practice, perhaps linked to a lack of clarity about roles and responsibilities. What has emerged from interviews with members in several sectors is the suggestion that boards need to provide much more explicit statements of their purposes and objectives, both for the benefit of their members and on grounds of openness and transparency (see also Ashburner, Chapter 11 in this book). Nevertheless, three common purposes for all public and voluntary bodies are strategic leadership and giving direction (in some cases of policy development); stewardship and a locus of accountability for the executive; and to give expression to the interests of stakeholders.

Board recruitment, composition and the role of board members

In order to carry out their functions, organisations develop machinery for internal governance that may vary greatly between and within sectors (Greer and Hoggett, 2000). Typically they are steered by governing boards consisting of appointed members (usually non-executive) working, often voluntarily, on a part-time basis. Day-to-day operation is in the hands of a chief executive and senior management team. Different board members on different types of organisation may be required to provide different skills, capacities and expertise, depending on the purposes of the organisation. Some may contribute strategic thinking, some may be adept in the scrutiny of systems and procedures, and others reflect the interests of stakeholders. No single individual board member is expected to be fit for all purposes. It is the board of the organisation that needs to be 'fit' – what alternatively is referred to as the 'balance of the board'. The task in recruitment is to assemble a board with a suitable range of skills and experiences, although a generalist ethos still predominates in many sectors such as health (see Ashburner, Chapter 11 in this book; OCPA 2000: annex A).

Consideration of the qualities desirable in board members raises the thorny issue of board composition, linked to a critique of informal recruit-

ment patterns ('old-boy' and political networks), and allegations of political bias in appointments (see Robinson and Shaw, Chapter 1 in this book). However, recruitment procedures have become increasingly standardised as a consequence of the general adoption of the Nolan principles (the influence of which has even extended to some large voluntary organisations). The House of Commons Select Committee on Public Administration (1999: para. 90) has advocated the removal of a large number of appointments from ministerial control and the extension to the quango sector of random selection, used, for example, for juries, has also been suggested (Wainwright, 2000). Many of the larger voluntary bodies studied are streamlining their internal governance arrangements, for example their committee structures and the way in which elections are used.

The importance attached to more open appointment procedures is rooted in a concern about the lack of diversity in board membership (see Robinson and Shaw, Chapter 1 in this book). The post-1997 government has been strongly committed to increasing the representation of women and people from ethnic minorities on governing boards, involving, for example, the formulation of action plans by individual departments (Cabinet Office, 2000b). Between 1992 and 2000 the proportion of women board members on public bodies (including the NHS) increased from 26 per cent to 33 per cent and those from ethnic minorities rose from 3.6 per cent to 4.4 per cent (Cabinet Office, 2000a: vi). However, many of these increases took place before 1997 and there are also wide differences between sponsor departments such as the Ministry of Defence and the Department of Health (ibid.: 169). There is some unease about 'political correctness' and 'tokenism' in the appointment process, in terms both of people having 'the right political credentials' (under both Labour and Conservative governments) and of gender/ethnic/age balance. Some interviewees expressed concern about an approach to selection that suggested 'we need one of x, two of y and one of z'. This did not deny the need for diversity but rather conceived of it in terms of the skills and talents brought by the members rather than their age, gender or ethnic origin.

Effective board membership raises questions of time commitment, remuneration, training and support. There remains a very strong attachment to the voluntary principle but increasing recognition of the need to consider how financial and other hurdles to a more diverse board membership might be overcome, for example, through income replacement schemes rather than direct payment. Discussions about skills, induction and training were often framed by the difficulties encountered in widening social representation, particularly in terms of the relatively poor training, employment and educational opportunities of under-represented groups.

Issues about the nature of boards are central to the tension between

effectiveness and accountability. A lack of diversity in board membership can weaken the accountability of boards. At the same time dominant conceptions of effectiveness and efficiency can promote homogenisation in terms of the qualities thought essential in board members, particularly if conceived in narrow managerial terms. Several interviewees noted a tension between broadening the social base of participation and avoiding the incorporation of vested interests that might encourage a sectionalism that detracts from the purposes and effectiveness of the organisation as a corporate whole. The Arts Council for England, for example, changed its board structure in the 1990s because the old board was said to be too big, too involved with detail and riven by sectional rivalries between functional and territorial stakeholders. Members are now leading figures drawn from all fields of the arts, chosen for their ability to contribute creatively to strategy and policy development and are not expected to represent their fields of expertise. On the other hand, some members expressed concern that power had shifted too much towards the executive because members lacked the information necessary to fulfil their roles effectively.

Large national voluntary sector organisations also have to manage the tension between having appropriate internal governance structures (that promote the efficient and effective delivery of services) and the need to reflect the interests of its wide diversity of stakeholders. The British Red Cross, the Alzheimer's Society and the National Trust have all grappled recently with this dilemma when faced with the need to streamline their decision-making structures. Reflecting the diversity of the voluntary sector, there are a variety of means of representing interests. For example, the Alzheimer's Society tries to include users and carers in the decision-making process through focus groups and surveys. The British Red Cross has discussed the importance of responding more effectively to the needs of users. So in this sense strategy is tied to organisational goals and is increasingly 'needs-led' rather than provider driven. The National Trust has also been concerned with widening representation (at board level) partly because of a desire to move away from what are regarded as outdated notions of 'nation' and 'heritage'. On the other hand, a representative of Help the Aged noted that it is 'important not to allow particular stakeholder interests to influence the board, we have to encourage people to move beyond their own particular corner and look at the interests of the organisation as a whole'.

Nonetheless, it seems perfectly possible to broaden the composition of boards without compromising their quality in terms of skills and expertise. There is some evidence of a growing recognition of the need to provide a broader range of people with the opportunities and skills to participate, for example, by encouraging local employers to facilitate voluntary working. Indeed, such discussions are under way in organisations such as Business in the Community and the Greater Bristol Foundation.

Accountability and openness

The efforts made in recent years to make boards more diverse are a necessary, but not sufficient, contribution towards making boards more accountable. Questions of accountability and openness have been central to the debate about quangos in the UK (see Davis and Stewart, 1994; Weir and Hall, 1994; Skelcher *et al.*, 2000). Accountability, however, is multifaceted. Mulgan (2000) identifies a number of different usages of the term – the core process of being called to account, professional and personal accountability, accountability as control, accountability as responsiveness (including 'client focus'), and accountability as dialogue. It is important to distinguish political accountability from managerial and professional accountability. In recent years the apparatus of performance management has become the primary mechanism for operationalising managerial accountability. Professional accountability refers to the internalised norms that guide the behaviour of particular occupational groups. There are two dimensions of accountability for governing bodies, both of which need to be addressed. The primary focus here is on what might be termed 'political accountability', referring to how the governing body is called to account for its actions (linking to citizens, stakeholders including central government, and users). The second dimension – 'managerial accountability' – focuses on how the governing body can hold its officials/executive to account or internal governance (Greer and Hoggett, 2000).

For Mulgan, 'core' accountability in a democratic state involves issues concerning:

> how legislators can scrutinize the actions of public servants and make them answerable for their mistakes, and how members of the public can seek redress from government agencies and their officials. It leads to questions about different channels of accountability and their relative merits, about the balance between accountability and efficiency, and about distinctions between political and managerial accountability
>
> (2000: 556)

Following Mulgan, we wish to separate accountability from responsiveness and stress the core principle of 'holding the powerful to account through political and legal channels of external scrutiny and sanctions' (ibid.: 571). So at the core of accountability lies 'external scrutiny, justification, sanctions and control' (ibid.: 557), in other words, the capacity to hold another to account for actions (or inaction) undertaken. Sanctions are crucial to this. The capacity to hold another to account in turn depends upon the transparency of the actions in question and this leads us to a second core aspect of accountability, that is, 'giving an account for actions

taken'. From this perspective, open government, including the provision of information, public access to board meetings and the extent to which actors are subject to scrutiny by consultative bodies, are a necessary but not sufficient condition for full accountability. Effective consultation does not in itself deliver accountability because consultative and advisory bodies lack power of sanction over the actors in question.

The post-1997 Labour government has been concerned with issues of transparency, openness, and attracting a wider range of people onto the boards of public bodies (Cabinet Office, 1997; 1998). While many of these proposals have not extended to the LPSB and voluntary sector (House of Commons, 1999: para. 57), many organisations themselves have taken steps to increase their transparency and increasingly make use of new technology such as Internet websites and emails. The Radio Authority, for example, provides an extensive range of information on its website, including the agendas and minutes of board meetings, consultation documents, and a register of members' interests.

Measures to increase transparency contribute to better accountability insofar as they increase public knowledge of the operation and performance of quangos. There does not appear to be any adverse relationship between effectiveness and greater transparency, except perhaps insofar as the latter falls short of the release of certain classes of information such as that deemed commercially confidential. If anything, it might be argued that the performance of organisations could be enhanced through greater openness. The chair of the Radio Authority, for example, is convinced that its general operation benefits from a presumption towards openness.

A key issue for political accountability is the nature of representation. Most of the members of quangos are selected on the basis of appointment rather than election. The suggestion that all board members should be elected is usually rejected because of its impracticality (see House of Commons, 1999: para. 62) although the idea of random selection (akin to that used in the jury system) has been mooted (Wainwright, 2000).

However, accountability in the sense of 'representativeness' can at least in part be achieved in ways other than direct election, for example through guaranteed places on boards for stakeholders and local councils. While the past twenty years have witnessed a significant downgrading of 'direct representation' (for example, the removal of local authority members from the boards of organisations such as further education colleges), the concept of 'representation as formally elected representative' still persists. Some newer members of health boards, many local councillors themselves, see their role as 'similar to that of a councillor, that is to hold executives to account, rather than sharing the collective responsibility of the board' (OCPA, 2000: 20). It has also been suggested that the development of 'partnerships' is a response to concerns about the lack of accountability of local public spending bodies (House of Commons, 1999: para. 64). Moreover, in some partnerships such as SRB and New Deal for

the Community 'legitimation problems have been tackled through the introduction of mechanisms of participative democracy to enable user and community involvement'. However, practice varies and overall partnership arrangements remove 'centres of decision-making further from elected political structures, increasing their distance from citizens and often becoming invisible to public view' (Skelcher, 2000: 13).

NDPBs are formally accountable upwards to Parliament (in both a financial and political sense) through their sponsoring departments and ministers. The debate about the accountability of quasi-governmental bodies in the UK has 'primarily been confined to discussing the inadequacy of ministerial responsibility, describing a democratic deficit and developing alternative models of accountability to make quangos more responsive' (Cole, 2000: 34). Cole finds some evidence that these upwards arrangements are more effective than sometimes thought, but a 'control' approach to accountability is often criticised because it destroys the flexibility, user-friendliness and autonomy essential for effectiveness (Hood and Schuppert, 1988b: 253). It is more usually argued that alternative forms of accountability – usually horizontal or 'downwards' – need to be developed, for example, relating to 'peer groups', stakeholders and citizens. For Hood and Schuppert (ibid.: 258) a combination of user-group representation, the operation of markets and competition, and peer-group evaluation offers a 'much more real prospect' of keeping quangos under control 'than the core government regime of heavy audit, day-to-day political oversight and elaborate (often overloaded and ineffective) clearance procedures'. So perhaps what boards should be primarily concerned with is ensuring that a range of appropriate mechanisms are in place to ensure the accountability of the organisation.

Managerial accountability, reflected in the modern fetish for performance measurement and evaluation ('valuing what is measurable' rather than 'measuring what is valuable'), and indeed also in the attack on the self-regulating professions, works against 'horizontal' accountability arrangements. Arguments for greater 'self-policing' have re-emerged among board members across the variety of quangos, partly as a reaction to a perception that central inspection and audit have inexorably increased. In practice, many organisations such as NDPBs have both upward and downward accountability procedures. The Environment Agency, for example, reports up through the DETR but is also responsive to its other stakeholders through its network of regional committees. It also incorporates an element of representativeness in that the board combines a mixture of environmentalists, business people, academics and farmers.

In terms of 'representation', or at least some mechanisms for stakeholder influence, questions about performance are frequently linked to the issue of accountability in negative terms, for example, if the latter results in increased political interference and centralised control and

direction. What is clear is that it is difficult to justify the existence of quangos 'which are subject neither to control in the form of effective "control" nor to effective alternative forms of control' (Hood and Schuppert, 1988b: 258). This brings us again to the central tension in the modernisation agenda between giving organisations the freedom to be effective while making them accountable, and/or the desire of governments to exercise control.

Effectiveness and the modernisation agenda

Much of the debate on quangos has previously been centred around issues of accountability and openness, but it is also necessary to pay attention to how such bodies operate and how they fit into the government's rhetoric about modernisation and the delivery of public services (Cabinet Office, 1999; Benington, 2000). There may be conflict between the need for organisations to provide effective public services (incorporating a concern for outcomes as well as outputs and processes), and the pressure for boards to be seen as transparent, representative and accountable. However, it would be a mistake to see such tensions as something new, for the earlier wave of quango studies (Hague *et al.*, 1975; Barker, 1982) also identified potential conflict between accountability and efficiency.

Effectiveness – whether defined in terms of policy advice, regulation or service delivery – is undoubtedly a fundamental requirement for boards. The ability of boards to achieve their purposes is linked to clarity of objectives, the construction and 'chemistry' of the board (a balanced and diverse membership), and to patterns of internal governance, including the key relationships between the chair and chief executive and between governing bodies and staff (Greer and Hoggett, 2000). Board members have to 'gel' with each other while allowing for the possibility of the 'creative tension' that can contribute to effectiveness. Nonetheless, even with the best possible individuals and overall chemistry/balance, board effectiveness can still be undermined by excessive central direction and an unresponsive external environment. Moreover, the plethora of arrangements that have been developed for 'performance measurement' do not give much real indication of the effectiveness of organisations or their boards. It has been suggested that outcomes, client needs and citizen opinion are 'a low priority' and that existing systems for performance measurement 'provide no additional incentive to measure client satisfaction' (Lawton *et al.*, 2000: 17; see also Talbot, 2000).

Contemporary concern with service delivery brings us back to the autonomy–diversity continuum outlined earlier. An organisation that is little more than an administrative arm of core government is more likely to have its purposes given to it. Health Authorities are encouraged to act strategically, but within an increasingly constrained policy framework set by government. One interviewee, close to the government's Health Secre-

tary, was very clear that one of the primary purposes of NHS bodies was to implement national government policy in a strategic and responsive way. It can plausibly be argued that the centralising trend evident in the NHS has been accompanied by a weakening of local accountability (see Ashburner, Chapter 11 in this book). As Powell notes, 'existing trends seem to lead to the worst of all worlds: the disadvantages of central control, and local differentiation without any genuine local autonomy' (1998: 56). NDPBs, such as the Arts Council, enjoy some autonomy in translating broad parameters into applicable policies and strategies, perhaps because of awareness that 'creative' and 'centrally directed' are incompatible. Organisations such as Further Education Corporations are subject to statute, but the structures through which the board conducts its business and the appointment of officers are almost entirely matters for local choice. Voluntary organisations and charitable trusts traditionally have had a lot of freedom to define their own purposes and structures, although there are indications that their relative autonomy is being reduced with their increasing incorporation into government welfare policy as agents for service delivery. Our research on LPSBs in the mid-1990s revealed the paradox that independently constituted bodies had been created to act strategically in delivering government policies but were then constrained from doing so by a range of hands-off and hands-on controls that effectively curtailed much of their freedom of action (Greer and Hoggett, 1999). This is not simply a result of the way in which services such as education and health have become increasingly national rather than local over the last decade (constraining the space for local policy-making). Current government rhetoric speaks of the need to implement national priorities in a way that is responsive to local needs, but most services are now governed by such a comprehensive array of nationally prescribed indicators that the space for local responsiveness has all but disappeared.

The rhetoric of modernisation links the provision of high-quality public services with the institutional and procedural reform of organisations. Under the slogan 'modernisation and improvement' the Labour government is said to have 'mobilised a far-reaching programme of change and innovation in the organisational forms and cultures of the state, and in particular its relationships with citizens, users and civil society' (Benington, 2000: 3). Implementation tools (some of which may themselves be regarded as alternative mechanisms for achieving accountability) include listening to users, consumer choice, new forms of competition, development of new procedures and practices, incentives, and even the creation of new quasi-governmental arrangements such as the Action Zones for health and education. Moreover, government ministers are concerned 'that they pull the "levers" for change, but the wires feel slack and nothing happens at the end' (Benington, 2000: 4). This goes to the heart of the relationship between autonomy and central direction, raising the question

of 'how much change should be driven from the national centre and how much developed by local managers and organisations' (ibid.).

Benington has argued that:

> effective leadership and public management is seen by the government as crucial to the success of the [modernisation] strategy because good leadership clearly makes a difference to the performance of an organisation, staff morale and motivation, public satisfaction and the ability to address change.
>
> (ibid.: 5)

The government has also identified the problems faced in building up effective leadership. It has encountered difficulties in getting recognition of leadership in the public sector, in getting strength in depth, 'turning competent professionals into good leaders', breaking down public–private barriers and developing a corporate approach, and helping organisations to 'select good leaders' (ibid.). Many of our respondents, however, were worried that the tendency for public sector reform to 'recentralise', and the contraction in the autonomy and flexibility enjoyed by boards, would actually make it more difficult to encourage good people to give their time to boards. On this view there will be increasing supply problems for quangos if they are treated as little more than the passive implementers of government policies and strategies, and are not given the autonomy and flexibility necessary for them to be effective.

Conclusion: legitimacy, accountability and effectiveness

Two main arguments are often advanced against the use of quangos generally (House of Commons, 1999: para. 23). First, that diversity means fragmentation and hence makes joined-up (or effective) service delivery more difficult. Second, their insulation from political pressures – perhaps deliberately so in the interests of effectiveness – contributes to their lack of accountability. To be effective, quangos must manage, without perhaps ever resolving, several contradictions and tensions. They 'constitute institutional packages in which desirable features are accompanied by often unwanted but unavoidable side-effects' (Hood and Schuppert, 1988a: 15). Some of the central dilemmas include: being exhorted to act strategically by government while being simultaneously constrained from doing so; and the pressure to perform according to a set of centrally prescribed targets versus the need to foster distinctive competencies, reputations, missions and locally sensitive policies and practices. This chapter has focused particularly on the tension between the pressure to deliver services and programmes, on the one hand, and the need for democratic accountability and the capacity to represent the needs and experiences of service users and local communities on the other. As long as quangos are

used there will always be tension between the need for them to operate effectively and the pressure to be transparent, 'representative' and accountable to stakeholders. In its evidence to the Public Administration Committee, for example, the Cabinet Office pointed to the need to strike a balance between 'transparency and the most effective operating methods for NDPBs' (House of Commons, 1999: para. 51). In our survey several interviewees across the range of organisations recognised the need for stakeholder representation, but also expressed disquiet about the impact of this upon the effectiveness of the organisation.

Perhaps what organisations and their boards are searching for is 'legitimacy for action' – the justification of their right to exercise power. The concept of legitimacy is important:

> not only for the maintenance of order, but also for the degree of co-operation and quality of performance that the powerful can secure from the subordinate . . . The effectiveness of the powerful, in other words, is not just a matter of resources and organisation . . . but also of their legitimacy.
>
> (Beetham, 1991: 29)

Legitimacy, then, contributes to the 'order, stability and effectiveness' of a system of power. Stability refers to the 'ability to withstand shock and failure because a solid level of support from its subordinates can be guaranteed', and effectiveness 'includes the ability of the powerful to achieve their goals because of the quality of performance they can secure from those subordinate to them' (ibid.: 33). Drawing on these insights, quangos gain their legitimacy not simply by operating to established rules, but also through considerations of both effectiveness and accountability. Effectiveness is clearly crucial for there is no point in an accountable organisation that does not work. Withdrawal of public consent as a result of the inability to deliver its core purposes can contribute to the delegitimation of a quango. On the other hand, when they hit difficult times in terms of delivering their purposes, organisations can draw upon reserves of legitimacy that have been built up through stakeholder representation and proper accountability and stewardship arrangements.

From our research it is clear that board members themselves are not preoccupied solely with effectiveness and that issues of representation and accountability remain central to their concerns. Indeed, as a senior member of an organisation dealing with complaints against the police pointed out, operational effectiveness required the presence of ethnic minority members on the board to give stakeholders confidence that their grievances would be fairly investigated. Despite the tendency (arguably) to prioritise the effective delivery of outcomes, most board members are exercised by the need for the boards to which they contribute to be seen as legitimate. This takes us back to the importance of stakeholder

accountability and the management of recruitment to boards. Should board members be selected solely for their skills and expertise or is it also necessary to ensure the representation of stakeholders on boards, even at the expense of delivery capacity?

So board legitimacy derives both from the extent to which the organisation represents its stakeholders (including government) and is accountable to them, and from its performance. There is, then, a need for clear statements of missions and objectives that incorporate purposes, outcomes and the need to represent the whole range of stakeholders. An organisation may be successful in terms of service delivery yet have a negative public profile if its authority to act and to take decisions is questioned. If those board members running the organisation are perceived to be out of touch and/or unrepresentative, then the organisation's claims for legitimacy will be viewed with suspicion. The legitimacy of the Environment Agency, for example, depends not only on its success in managing flood protection as one of its purposes but also on its ability to demonstrate that it reflects the diversity of its stakeholders. If either farmers or environmentalists are not represented on the board, then the legitimacy of the board would likely be questioned by these stakeholder groups, making policy delivery all the more difficult. Similarly, a perception that the Arts Council favoured a particular art form, or even a particular region of the country, could bring its legitimacy into question by weakening confidence in its ability to distribute resources equitably.

Stakeholder representation is therefore vital in the legitimation of a board. However, it may not always be clear who the stakeholders of an organisation are, and there may be conflicting stakeholder interests that need to be balanced. There also remains considerable resistance, for example, among many of the board members we interviewed, to the idea of direct stakeholder representation on boards; and there are good reasons why interested parties are often not given places on governing boards, for example, avoidance of conflict between different sets of special pleaders.

So if stakeholder interests are not to be reflected primarily in board appointments, how should they be taken into account? There is a danger that the contemporary concern with modernisation, effective service delivery and performance measurement will marginalise considerations of accountability. More attention needs to be paid to the development of new and more sophisticated arrangements for local stakeholder or community representation that will at the same time not inhibit the effectiveness of organisations. There is a need for more 'experiments and research in systems of consultation . . . which allow for more sustained and closer contact with members of the public affected by their work than is permitted through annual or occasional open meetings or publications' (House of Commons, 1999: para. 54).

To take account of the prevalent organisational diversity, the democratic reform of the quango sector would need to take many forms and there is

no appropriate uniform model. Part of the sector could be placed under the control of elected local and regional authorities; other sectors such as health could be governed by directly elected functional authorities. Greater participatory democracy could be developed through stakeholder models of governance – embryonic elements of this can be observed in the education sector with elected parent, student and staff governors. These arrangements would have the advantage of incorporating the requirement for external sanction that is central to the core notion of accountability. Following the distinction made by Weale (1999), we suggest that democratic reform must seek to develop three different forms of representation: the representation of opinions through elected political parties, the representation of interests through stakeholder models and the representation of characteristics via election by lot and other models (i.e. the extent to which representatives 'mirror' the characteristics of the population they represent, for example, in terms of class, gender and ethnicity).

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